

United Kingdom Tax Strategy

As a multinational group with operations in the United Kingdom, Skandinaviska Enskilda Banken AB (publ) is required by UK tax legislation to publish details of its United Kingdom tax strategy on its website annually. SEB describes its global approach to tax in its Sustainability reports; and publishes its group-wide Tax Policy and its Code of Conduct online. This Tax Strategy document complements the group-level publications by setting out SEB's approach to tax compliance for its operations in the United Kingdom during 2017.

Business background

SEB has a strong ambition to contribute to sustainable growth and to help customers, people and communities prosper. In doing so, SEB pursues a long-term commitment to business ethics and public trust.

The main geographic focus of SEB's business is Sweden, the Nordics and the Baltics. It has a diverse business mix, serving the needs of a wide customer base through divisions focussing on wholesale banking, retail banking, and asset management including life insurance. SEB's main presence in the UK is through its London Branch and associated subsidiary companies, with offices in the City of London. SEB London Branch provides a range of banking products and services to customers in the Large Corporates and Financial Institutions division, most of which have connections to SEB's home markets.

In addition, SEB's UK activities include two small insurance entities managed from other locations. This strategy document relates to all these UK operations.

Main tax risks linked to the SEB business in the UK

As a bank, SEB has responsibilities placed on it by governments to assist in the fight against financial crimes, including tax fraud. In accordance with international and domestic UK obligations, SEB London Branch provides information to H M Revenue & Customs on customers' interest income and account balances held at the branch.

The range of business in SEB London Branch means some of the banking products and services provided to its customers are subject to VAT, whilst many financial products such as loans are exempt. Only part of the UK VAT paid by SEB is recoverable, and SEB is overall a net payer of UK VAT. In addition, financial transactions may on occasions involve other transaction-related taxes or stamp duties.

As an international employer with some internationally mobile employees, SEB is responsible for the correct application of all payroll taxes on the salaries and benefits of staff working in the UK.

SEB group entities pay corporate income taxes on the profits attributable to their business establishment in the UK. Appropriate transfer pricing policies are used to allocate the income and expenses of integrated business lines between SEB sites jointly contributing to the business.

Governance

The Board of Directors of SEB has adopted a group Tax Policy and a group Transfer Pricing policy, which are reviewed annually. A supplementary Tax Policy for SEB in the UK was adopted by the SEB London Branch management committee and expresses SEB's adherence to the Code of Practice on Taxation for Banks, as promulgated by HMRC.

Responsibility for ensuring compliance with UK tax obligations in respect of the banking business is delegated to the SEB London Branch CFO. For the insurance business SEB Life International Assurance Company DAC UK branch, responsibility is delegated to the CFO of the managing site in Ireland. Each CFO can call on the Group Tax Manager and his specialist team for support and guidance, or obtain assistance from external professional advisors. The responsibility for ensuring compliance with UK tax obligations in respect of the insurance business in Suecia Re and Marine Insurance Co Ltd lies with its Board of Directors.

Management and handling of all taxes incurs operational risk, as does other regulatory and financial reporting. Controls over tax assessment and reporting are included in SEB's framework for Internal Control over Financial Reporting, adopted by the Board for assurance over financial reporting. This means that controls over the data which underlies financial and tax reporting, and controls over reporting processes, are regularly reviewed. Identified weaknesses are prioritised and fed back into a process of continuous improvement.

SEB's risk management processes also include a New Product Approval Process focussed on identifying and managing risks related to new or amended products. The range of issues considered includes taxation matters in order to ensure tax compliance. The level of acceptable tax risk in SEB is low. Significant potential tax claims are reported to the Group Tax Committee, including the Group Tax Manager and the Group CFO.

Attitude towards tax planning

The Tax Policy for the SEB Group is considered by the Board of Directors and re-adopted annually, most recently in January 2017. It sets out that SEB does not use structures lacking business rationale in order to avoid taxes. Neither does SEB provide products or promote structures where the sole purpose is tax advantages. This Tax Policy is consistent with the SEB Code of Conduct, SEB's policy on ethical matters.

The Board of Directors envisages that tax effects will be one of the considerations when planning matters such as the legal structure of the group. However, any tax planning undertaken by Group Taxes is in support of the operational businesses.

SEB's approach towards dealings with HMRC

SEB seeks to establish and maintain a good relationship with HMRC. It undertakes all dealings with HMRC in a professional, transparent and timely manner, both when it comes to its own tax matters and in reporting obligations regarding customers. If SEB discovers a material error in a tax self-assessment, it aims to correct the error appropriately and without delay. Audits are coordinated through a named member of the finance department, and less formal information requests from HMRC are satisfied if possible within an agreed timescale.

SEB aims to show professionalism in its relationship with HMRC by being aware of and understanding UK tax requirements, and by complying with reporting deadlines. For the insurance entities, local tax representatives are engaged for this purpose. Uncertainties can occur in the application of tax regulations to real-life transactions; SEB endeavours to handle these in accordance with the spirit and not just the letter of the law, and tries to achieve a reasonable level of confidence that its assessment would be upheld. Advice on appropriate treatment is sought from external consultants for matters of significance, and a specialist payroll provider is used to help ensure that UK payroll tax obligations are met.

Approval

This statement was approved for publication by the SEB London Management Group on 27th November 2017.